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**DEPARTMENT OF AGRICULTURE**

**Agricultural Marketing Service**

**[Document No. AMS-LPS-16-0019]**

**2016 Rates Charged for AMS Services**

**AGENCY:** Agricultural Marketing Service, USDA.

**ACTION:** Notice.

**SUMMARY:** The Agricultural Marketing Service (AMS) is announcing the 2016 rates it will charge for voluntary grading, inspection, certification, auditing and laboratory services for a variety of agricultural commodities including meat and poultry, fruits and vegetables, eggs, dairy products, and cotton and tobacco. The 2016 regular, overtime, holiday, and laboratory services rates will be applied at the beginning of the crop year, fiscal year or as required by law (June 1 for cotton programs) depending on the commodity. This action established the rates for user-funded programs based on costs incurred by AMS.

**DATES:** May 9, 2016.

**FOR FURTHER INFORMATION CONTACT:** Sonia Jimenez, AMS, U.S.

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**SUPPLEMENTARY INFORMATION:** The Agricultural Marketing Act of 1946, as amended, (AMA) (7 U.S.C. 1621-1627), provides for the collection of fees to cover costs of various inspection,

grading, certification or auditing services covering many agricultural commodities and products. The AMA also provides for the recovery of costs incurred in providing laboratory services. The Cotton Statistics and Estimates Act (7 U.S.C. 471-476) and the U.S. Cotton Standards Act (7 U.S.C. 51-65) provide for classification of cotton and development of cotton standards materials necessary for cotton classification. The Cotton Futures Act (7 U.S.C. 15b) provides for futures certification services and the Tobacco Inspection Act (7 U.S.C. 511-511s) provides for tobacco inspection and grading. These Acts also provide for the recovery of costs associated with these services.

On November 13, 2014, the Department of Agriculture (Department) published in the **Federal Register** a final rule that established standardized formulas for calculating the fees charged by AMS user-funded programs (79 FR 67313). On Thursday, April 9, 2015, the Department published in the **Federal Register** its first notice (80 FR 19059) announcing the 2015 rates for its user-funded programs.

This notice announces the 2016 fee rates for voluntary grading, inspection, certification, auditing and laboratory services for a variety of agricultural commodities including meat and poultry, fruits and vegetables, eggs, dairy products, and cotton and tobacco on a per-hour rate and, in some

instances, the equivalent per-unit cost. The per-unit cost is provided to facilitate understanding of the costs associated with the service to the industries that historically used unit-cost basis for payment. The fee rates will be effective at the beginning of the fiscal year, crop year, or as required by specific laws (June 1 for cotton programs).

The rates reflect direct and indirect costs of providing services. Direct costs include the cost of salaries, employee benefits, and if applicable, travel and some operating costs. Indirect or overhead costs include the cost of Program and Agency activities supporting the services provided to the industry. The formula used to calculate these rates also includes operating reserve, which may add to or draw upon the existing operating reserves.

These services include the grading, inspection or certification of quality factors in accordance with established U.S. Grade Standards; audits or accreditation according to International Organization for Standardization (ISO) standards and/or Hazard Analysis and Critical Control Point (HACCP) principles; and other marketing claims. The quality grades serve as a basis for market prices and reflect the value of agricultural commodities to both producers and consumers. AMS' grading and quality verification and certification, audit and accreditation, plant process and equipment verification, and

laboratory approval services are voluntary tools paid for by the users on a fee-for-service basis. The agriculture industry can use these tools to promote and communicate the quality of agricultural commodities to consumers. Laboratory services are provided for analytic testing, including but not limited to chemical, microbiological, biomolecular, and physical analyses. AMS is required by statute to recover the costs associated with these services.

As required by the Cotton Statistics and Estimates Act (7 U.S.C. 471-476), consultations regarding the establishment of the fee for cotton classification with U.S. cotton industry representatives were held between January and the present when most industry stakeholder meetings take place. Representatives of all segments of the cotton industry, including producers, ginneries, bale storage facility operators, merchants, cooperatives, and textile manufacturers were informed of the fees during various industry-sponsored forums.

### **Rates Calculations**

AMS calculated the rate for services, per hour per program employee using the following formulas (a per-unit base is included for programs that charge services based on a per-unit base):

(1) *Regular rate.* The total AMS grading, inspection, certification, classification, audit, or laboratory service

program personnel direct pay divided by direct hours for the previous year, which is then multiplied by the next year's percentage of cost of living increase, plus the benefits rate, plus the operating rate, plus the allowance for bad debt rate. If applicable, travel expenses may also be added to the cost of providing the service.

(2) *Overtime rate.* The total AMS grading, inspection, certification, classification, audit, or laboratory service program personnel direct pay divided by direct hours, which is then multiplied by the next year's percentage of cost of living increase and then multiplied by 1.5, plus the benefits rate, plus the operating rate, plus an allowance for bad debt. If applicable, travel expenses may also be added to the cost of providing the service.

(3) *Holiday rate.* The total AMS grading, inspection, certification, classification, audit, or laboratory service program personnel direct pay divided by direct hours, which is then multiplied by the next year's percentage of cost of living increase and then multiplied by 2, plus benefits rate, plus the operating rate, plus an allowance for bad debt. If applicable, travel expenses may also be added to the cost of providing the service.

When possible, AMS is adjusting the rates to cover all of its expenses and to provide for reasonable operating reserves.

Many of these rates have not been adjusted for a number of years. In some cases fees are decreased due to efficiencies and cost cutting measures. Applying the formulas described above without consideration of the operating reserves, in some cases, would have resulted in a substantial increase in fees. To avoid an undue burden on industry operations in these cases, AMS plans to phase in some of the increases over a multi-year period. Each year, AMS will reassess whether the fee rate and phase-in period are appropriate based on the formula and established operating reserve. Drawing upon the existing operating reserves will not affect AMS' ability to maintain the minimally required operating reserves.

All rates are per-hour except when a per-unit cost is noted. The specific amounts in each rate calculation are available upon request from the specific AMS program.

## 2016 Rates

| Cotton Fees  |             |          |         |                               |              |
|--|-------------|----------|---------|-------------------------------|--------------|
| 7 CFR Part 27 – Cotton Classification Under Cotton Futures Legislation                               |             |          |         |                               |              |
| Subpart A-Regulations;<br>§§27.80 - 27.90 Costs of Classifications and Micronaire                    |             |          |         |                               |              |
| Cotton Standardization   |             |          |         |                               |              |
|  | Regular     | Overtime | Holiday | Includes Travel Costs in Rate | Start Date   |
| Certification for Futures Contract (Grading services for samples submitted by CCC-licensed samplers) | \$4.25/bale |          |         | X                             | June 1, 2016 |

|   |  |          |         |                               |              |
|---|--|----------|---------|-------------------------------|--------------|
| Transfer of Certification Data to New Owner or Certified Warehouse (Electronic transfer performed)  | \$0.20/bale or \$5.00 per page minimum   |          |         | X                             | June 1, 2016 |
| <b>7 CFR Part 28 – Cotton Classing, Testing, and Standards</b>  |  |          |         |                               |              |
| Subpart A-Regulations Under the United States Cotton Standards Act;<br>§§28.115 - 28.126 Fees and Costs   |  |          |         |                               |              |
| Subpart D- Cotton Classification and Market News Service for Producers; §28.909 Costs;<br>§28.910 Classification of Samples and Issuance of Classification Data; §28.911 Review Classification. |  |          |         |                               |              |
| Cotton Grading  |  |          |         |                               |              |
|   | Regular  | Overtime | Holiday | Includes Travel Costs in Rate | Start Date   |
| Form 1: Grading Services for Producers (submitted by licensed sampler)  | \$2.20/bale  |          |         | X                             | June 1, 2016 |
| Form 1 Review (new sample submitted by licensed sampler)  | \$2.20/bale  |          |         | X                             | June 1, 2016 |
| Form A Determinations (sample submitted by licensed warehouse)  | \$2.20/bale  |          |         | X                             | June 1, 2016 |
| Form C Determinations (sample submitted by non-licensed entity; bale sampled under USDA supervision)  | \$2.20/bale  |          |         |                               | June 1, 2016 |
| Form D Determination (sample submitted by owner or agent; classification represents sample only)  | Instrument and Manual Grade: \$2.20/bale<br>Instrument Grade Only: \$2.00/bale |          |         | X                             | June 1, 2016 |
| Foreign Growth Classification (sample of foreign growth cotton submitted by owner or agent; classification represents sample only)  | \$6.00/sample  |          |         | X                             | June 1, 2016 |
| Arbitration (comparison of a sample to the official standards or a sample type)   | \$6.00/sample  |          |         | X                             | June 1, 2016 |
| Practical Cotton Classing Exam (for non-USDA employees)   | Exam: \$150/applicant<br>Reexamination: \$130/applicant                        |          |         | X                             | June 1, 2016 |
| Special Sample Handling (return of samples per request)   | \$0.50/sample  |          |         | X                             | June 1, 2016 |
| Electronic Copy of Classification Record  | \$0.05/bale (\$5.00/month minimum with any records received)                   |          |         | X                             | June 1, 2016 |

|  |   |          |          |                               |              |
|--|---|----------|----------|-------------------------------|--------------|
| Form A Rewrite (reissuance of Form 1, Form A, or Futures Certification data or combination)  | \$0.15/bale or \$5.00/page <b>minimum</b> |          |          | X                             | June 1, 2016 |
| Form R (reissuance of Form 1 classification only)  | \$0.15/bale or \$5.00/page minimum        |          |          | X                             | June 1, 2016 |
| International Instrument Level Assessment  | \$4.00/sample                             |          |          | X                             | June 1, 2016 |
| <b>Dairy Fees</b>  |   |          |          |                               |              |
| <b>7 CFR Part 58 – Grading and Inspection, General Specifications for Approved Plants and Standards for Grades of Dairy Products</b><br>Subpart A-Regulations Governing the Inspection and Grading Services of Manufactured or Processed Dairy Products;<br>§§58.38 - 58.46 Fees and Charges |   |          |          |                               |              |
|  | Regular                                   | Overtime | Holiday  | Includes Travel Costs in Rate | Start Date   |
| Continuous Resident Grading Service  | \$76.00                                   | \$90.92  | \$107.24 | X                             | Oct 1, 2016  |
| Non-resident and Intermittent Grading Service; State Graders; Equipment Review   | \$82.00                                   | \$96.76  | \$116.64 | X                             | Oct 1, 2016  |
| Non-resident Services 6pm-6am (10 percent night differential)  | \$90.20                                   | \$106.44 | \$128.32 | X                             | Oct 1, 2016  |
| Export Certificate Services  | \$82.00                                   | N/A      | N/A      | X                             | Oct 1, 2016  |
| Special Handling   | \$41.00                                   | N/A      | N/A      |                               | Oct 1, 2016  |
| Fax Charge   | \$4.00                                    | N/A      | N/A      |                               | Oct 1, 2016  |
| Derogation Application   | \$123.00                                  | N/A      | N/A      |                               | Oct 1, 2016  |
| <b>Fruit and Vegetable Fees</b>  |   |          |          |                               |              |
| <b>7 CFR Part 51 – Fresh Fruits, Vegetables and Other Products (Inspection, Certification, and Standards)</b><br>Subpart A-Regulations;<br>§§51.37 - 51.44 Schedule of Fees and Charges at Destination Markets<br>§51.45 Schedule of Fees and Charges at Shipping Point Areas                |   |          |          |                               |              |
|  | Regular                                   | Overtime | Holiday  | Includes Travel Costs in Rate | Start Date   |
| Quality and Condition Inspections for Whole Lots   | \$166.00 per lot                          |          |          |                               | Oct 1, 2016  |



|  |                  |          |          |                               |             |
|--|------------------|----------|----------|-------------------------------|-------------|
| Quality and Condition Half Lot or Condition-Only Inspections for Whole Lots  | \$138.00 per lot |          |          |                               | Oct 1, 2016 |
| Condition – Half Lot   | \$127.00 per lot |          |          |                               | Oct 1, 2016 |
| Quality and Condition or Condition-Only Inspections for Additional Lots of the Same Product  | \$76.00 per lot  |          |          |                               | Oct 1, 2016 |
| Dockside Inspections – Each package weighing < 30 lbs.   | \$0.038 per pkg. |          |          |                               | Oct 1, 2016 |
| Dockside Inspections – Each package weighing > 30 lbs.   | \$0.059 per pkg. |          |          |                               | Oct 1, 2016 |
| Charge per Individual Product for Dockside Inspection  | \$151.00 per lot |          |          |                               | Oct 1, 2016 |
| Charge per Each Additional Lot of the Same Product   | \$69.00 per lot  |          |          |                               | Oct 1, 2016 |
| Inspections for All Hourly Work  | \$74.00          | \$112.00 | \$148.00 |                               | Oct 1, 2016 |
| Audit Services   | \$92.00          |          |          | X <sup>1</sup>                | Oct 1, 2016 |
| <b>7 CFR Part 52 – Processed Fruits and Vegetables, Processed Products Thereof, and Other Processed Food Products</b><br>Subpart – Regulations Governing Inspection and Certification;<br>§§52.41 - 52.51 Fees and Charges |                  |          |          |                               |             |
|  | Regular          | Overtime | Holiday  | Includes Travel Costs in Rate | Start Date  |
| Lot Inspections  | \$65.00          | \$81.00  | \$97.00  | X                             | Oct 1, 2016 |
| In-plant Inspections Under Annual Contract (year-round)  | \$63.00          | \$80.50  | \$96.00  | X                             | Oct 1, 2016 |
| Additional Graders (in-plant) or Less Than Year-Round  | \$72.00          | \$90.50  | \$109.00 | X                             | Oct 1, 2016 |
| Audit Services   | \$92.00          |          |          | X <sup>1</sup>                | Oct 1, 2016 |
| <b>Meat and Livestock Fees</b>   |                  |          |          |                               |             |
| <b>7 CFR Part 54 – Meats, Prepared Meats, and Meat Products (Grading, Certification, and Standards)</b><br>Subpart A-Regulations;<br>§§54.27 - 54.28 Charges for Service   |                  |          |          |                               |             |

<sup>1</sup>Travel costs outside the United States will be added to the fee, if applicable.

|  |                         |          |          |  |                |
|--|-------------------------|----------|----------|--|----------------|
|  | Regular                 | Overtime | Holiday  | Includes<br>Travel<br>Costs in<br>Rate | Start<br>Date  |
| Commitment Grading   | \$66.00                 | \$83.00  | \$100.00 | X                                      | Oct 1,<br>2016 |
| Non-commitment Grading   | \$79.00                 | \$94.00  | \$109.00 |  | Oct 1,<br>2016 |
| Night Differential (6 pm – 6 am)   | \$73.00                 | \$91.00  | \$109.00 |  | Oct 1,<br>2016 |
| <b>7 CFR Part 62 – Livestock, Meat and Other Agricultural Commodities (Quality Systems Verification Programs)</b><br>Subpart A- Quality Systems Verification Definitions<br>§62.300 Fees and Other Costs for Service |                         |          |          |  |                |
|  | Regular                 | Overtime | Holiday  | Includes<br>Travel<br>Costs in<br>Rate | Start<br>Date  |
| Auditing Activities  | \$108.00                |          |          |  | Oct 1,<br>2016 |
| <b>7 CFR Part 75 – Regulations for Inspection and Certification of Quality of Agricultural and Vegetable Seeds</b><br>§75.41 General   |                         |          |          |  |                |
|  | Regular                 | Overtime | Holiday  | Includes<br>Travel<br>Costs in<br>Rate | Start<br>Date  |
| Laboratory Testing   | \$52.00                 | \$78.00  | \$104.00 | X                                      | Oct 1,<br>2016 |
| Administrative Fee   | \$13.00 per certificate |          |          |  | Oct 1,<br>2016 |
| <b>Poultry Fees</b>  |                         |          |          |  |                |
| <b>7 CFR Part 56 – Voluntary Grading of Shell Eggs</b><br>Subpart A-Grading of Shell Eggs;<br>§§56.45 – 56.54 Fees and Charges   |                         |          |          |  |                |
| <b>7 CFR Part 70 – Voluntary Grading of Poultry and Rabbit Products</b><br>Subpart A-Grading of Poultry and Rabbit Products;<br>§§70.70 – 70.78 Fees and Charges   |                         |          |          |  |                |
|  | Regular                 | Overtime | Holiday  | Includes<br>Travel<br>Costs in<br>Rate | Start Date     |

|  |                      |                      |                      |                               |             |
|--|----------------------|----------------------|----------------------|-------------------------------|-------------|
| Resident Service (in-plant)  | \$47.00 <sup>2</sup> | \$51.00 <sup>2</sup> | \$75.00 <sup>2</sup> | X                             | Oct 1, 2016 |
| Resident, Night Differential (6 pm – 6 am)   | \$51.00 <sup>2</sup> | \$56.00 <sup>2</sup> | \$80.00 <sup>2</sup> | X                             | Oct 1, 2016 |
| Resident, Sunday Differential  | \$58.00 <sup>2</sup> | \$63.00 <sup>2</sup> | N/A                  | X                             | Oct 1, 2016 |
| Resident, Sunday and Night Differential  | \$63.00 <sup>2</sup> | \$66.00 <sup>2</sup> | N/A                  | X                             | Oct 1, 2016 |
| Fee Service (non-scheduled)  | \$77.00              | \$93.00              | \$116.00             |                               | Oct 1, 2016 |
| Audit Service  | \$108.00             |                      |                      |                               | Oct 1, 2016 |
| Science and Technology Fees  |                      |                      |                      |                               |             |
| 7 CFR Part 91 – Services and General Information (Science and Technology)<br>Subpart I-Fees and Charges;<br>§§91.37 – 91.45  |                      |                      |                      |                               |             |
|  | Regular              | Overtime             | Holiday              | Includes Travel Costs in Rate | Start Date  |
| Laboratory Testing Services  | \$88.00              | \$106.00             | \$122.00             |                               | Oct 1, 2016 |
| Laboratory Approval Services <sup>3</sup>  | \$154.00             | \$183.00             | \$211.00             | X                             | Jan 1, 2017 |
| Tobacco Fees   |                      |                      |                      |                               |             |
| 7 CFR Part 29 – Tobacco Inspection   |                      |                      |                      |                               |             |
| Subpart A- Policy Statement and Regulations Governing the Extension of Tobacco Inspection and Price Support Services to New Markets and to Additional Sales on Designated Markets;<br>Subpart B- Regulations;<br>§§29.123 – 29.129 Fees and Charges; §29.500 Fees and charges for inspection and acceptance of imported tobacco<br>Subpart F- Policy Statement and Regulations Governing the Identification and Certification of Non-quota Tobacco Produced and Marketed in Quota Area;<br>§29.9251 Fees and Charges |                      |                      |                      |                               |             |
|  | Regular              | Overtime             | Holiday              | Includes Travel Costs in Rate | Start Date  |
| Domestic Permissive Inspection   | \$55.00              | \$64.00              | \$72.00              |                               | June 1,     |

<sup>2</sup> Administrative charges are applied in addition to hourly rates for resident service as specified in Part 56, Subpart A, §56.52 (a) (4); Part 56, Subpart A, §56.54 (a) (2); Part 70, Subpart A, §70.76 (a) (2); Part 70, Subpart A, §70.77 (a) (4) and Part 70, Subpart A, §70.77 (a) (5).

<sup>3</sup> Travel costs outside the United States will be added to the fee, if applicable.

|   |                                  |  |  |   |              |
|---|----------------------------------|--|--|---|--------------|
| and Certification (re-grading of domestic tobacco for processing plants, retesting of imported tobacco, and grading tobacco for research stations.)                           |                                  |  |  |   | 2016         |
| Export Permissive Inspection and Certification (grading of domestic tobacco for manufacturers and dealers for duty drawback consideration)                                    | \$0.0025/pound                   |  |  | X | June 1, 2016 |
| Grading for Risk Management Agency (for Tobacco Crop Insurance Quality Adjustment determinations)   | \$0.015/pound                    |  |  | X | June 1, 2016 |
| Pesticide Test Sampling (collection of certified tobacco sample and shipment to AMS National Science Laboratory for testing)  | \$0.0065/kg or \$0.0029/pound    |  |  | X | June 1, 2016 |
| Pesticide Retest Sampling (collection of certified tobacco sample from a previously sampled lot for re-testing at the AMS National Science Laboratory; fee includes shipping) | \$115.00/sample and \$55.00/hour |  |  | X | June 1, 2016 |
| Standards Course (training by USDA-certified instructor on tobacco grading procedures)  | \$1,250.00/person                |  |  |   | June 1, 2016 |
| Import Inspection and Certification (grading of imported tobacco for manufacturers and dealers)   | \$0.0170/kg or \$0.0080/pound    |  |  | X | June 1, 2016 |

**Authority:** 7 U.S.C. 15b; 7 U.S.C. 473a-b; 7 U.S.C. 55 and 61; 7 U.S.C. 51-65; 7 U.S.C. 471 - 476; 7 U.S.C. 511, 511s; and 7 U.S.C. 1621-1627.

Dated: April 28, 2016.

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Elanor Starmer  
Administrator

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